

UNITED COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2008

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United Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2007 Election)		
Janis Hansen	President	2009
Kathy Toms	Vice President	2007
Augustus Lartius	Board Member (deceased)	2009
Cheri Johnsen	Board Member (appointed)	2007
Keven Arrowsmith	Board Member (resigned)	2008
Darla Hayworth	Board Member (appointed)	2007
Matt Swanson	Board Member	2008
Board of Education (After September 2007 Election)		
Janis Hansen	President	2009
Kathy Toms	Vice President	2010
Carol Reinken	Board Member (Resigned)	2010
Darla Hayworth	Board Member	2008
Matt Swanson	Board Member	2008
Ron Miller	Board Member (Appointed)	2008
School Officials		
Dr. Michele Schleuning	Superintendent	2008
Shelly Carter	Board Secretary/ Treasurer (Resigned)	2008
Kent Bultman	Board Secretary/ Treasurer (Appointed)	2008
Ahlers & Cooney, P.C.	Attorney	2008

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
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Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
United Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the United Community School District, Boone, Iowa as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

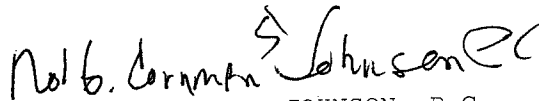
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of United Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 28, 2009 on our consideration of United Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 32 through 33 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and

presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise United Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 2, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

January 28, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

United Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$4,065,813 in fiscal 2007 to \$4,161,409 in fiscal 2008, while General Fund expenditures increased from \$3,972,999 in fiscal 2007 to \$4,245,657 in fiscal 2008. This still resulted in a decrease in the District's General Fund balance from \$1,457,057 in fiscal 2007 to \$1,372,809 in fiscal 2008, a 5.78% decrease from the prior year.
- The increase in General Fund revenues was attributable to an increase in state sources in fiscal 2008. The increase in expenditures was due primarily to an increase in the instruction functional areas.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of United Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report United Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which United Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the non-major funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
United Community School District Annual Financial Report

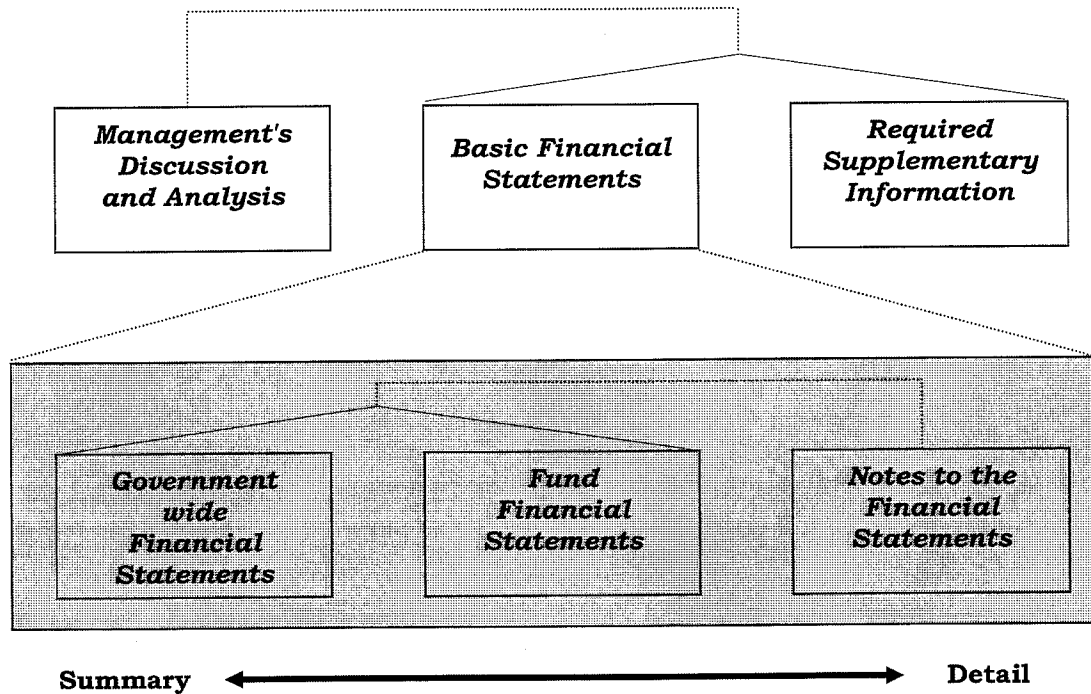


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2			
Major Features of the Government-wide and Fund Financial Statements			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education
Required financial statements	• Statement of net assets	• Balance sheet	• Statement of Net Assets
	• Statement of activities	• Statement of revenues, expenditures, and changes in fund balances	• Statement of revenues, expenses and changes in net assets
			• Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the

District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds and Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has three enterprise funds, the School Nutrition Fund, the School Resale Fund and the Daycare Fund.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net assets at June 30, 2008 compared to June 30, 2007.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Current and other assets	\$ 5,043,452	5,073,077	108,360	103,842	5,151,812	5,176,919	-0.48%
Capital assets	1,661,357	1,567,449	49,617	49,432	1,710,974	1,616,881	5.82%
Total assets	6,704,809	6,640,526	157,977	153,274	6,862,786	6,793,800	1.02%
Long-term obligations	158,044	33,592	0	0	158,044	33,592	370.48%
Other liabilities	1,906,786	2,130,864	1,024	11,095	1,907,810	2,141,959	-10.93%
Total liabilities	2,064,830	2,164,456	1,024	11,095	2,065,854	2,175,551	-5.04%
Net assets:							
Invested in capital assets, net of related debt	1,661,357	1,567,449	49,617	49,432	1,710,974	1,616,881	5.82%
Restricted	1,529,452	1,375,404	0	0	1,529,452	1,375,404	11.20%
Unrestricted	1,449,170	1,533,217	107,336	92,747	1,556,506	1,625,964	-4.27%
Total net assets	\$ 4,639,979	4,476,070	156,953	142,179	4,796,932	4,618,249	3.87%

The District's combined net assets increased by 3.87%, or \$178,683, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the invested in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$154,048, or 11.20% over the prior year. The increase was primarily a result of the District's increase in fund balances in the Special Revenue, Physical Plant and Equipment Levy Fund, the Special Revenue, Management Levy Fund and the Capital Projects Fund.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$69,458, or 4.27%. This decrease in unrestricted net assets was a result of the District's decrease in the General Fund balance.

Figure A-4 shows the changes in net assets for the years ended June 30, 2008 compared to June 30, 2007.

Figure A-4 Changes of Net Assets							
	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Revenues:							
Program revenues:							
Charges for services	\$ 1,284,489	1,241,317	165,407	183,387	1,449,896	1,424,704	1.77%
Operating grants and contributions and restricted interest	409,133	376,945	76,558	63,785	485,691	440,730	10.20%
General revenues and Transfers:							
Property tax	1,952,086	2,035,241	0	0	1,952,086	2,035,241	-4.09%
Local option sales and service tax	215,647	187,882	0	0	215,647	187,882	14.78%
Unrestricted state grants	767,962	787,298	0	0	767,962	787,298	-2.46%
Other	154,692	146,789	2,625	3,973	157,317	150,762	4.35%
Transfers	(8,625)	0	8,625	0	0	0	0.00%
Total revenues	4,775,384	4,775,472	253,215	251,145	5,028,599	5,026,617	0.04%
Program expenses:							
Governmental activities:							
Instructional	3,251,753	2,957,905	70,902	0	3,322,655	2,957,905	12.33%
Support services	1,113,693	1,014,631	0	0	1,113,693	1,014,631	9.76%
Non-instructional programs	1,903	2,029	167,539	238,949	169,442	240,978	-29.69%
Other expenses	244,126	325,624	0	0	244,126	325,624	-25.03%
Total expenses	4,611,475	4,300,189	238,441	238,949	4,849,916	4,539,138	6.85%
Change in net assets	163,909	475,283	14,774	12,196	178,683	487,479	-63.35%
Net assets beginning of year	4,476,070	4,000,787	142,179	129,983	4,618,249	4,130,770	11.80%
Net assets end of year	\$ 4,639,979	4,476,070	156,953	142,179	4,796,932	4,618,249	3.87%

In fiscal 2008, property tax and unrestricted state grants account for 56.96% of the revenue from governmental activities while charges for services and operating grants and contributions account for 95.58% of the revenue from business type activities.

The District's total revenues were approximately \$5.03 million of which \$4.78 million was for governmental activities and \$.25 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 0.04% increase in revenues and a 6.85% increase in expenses. The increase in expenses was related to an increase in the instructional function.

Changes in revenues will be as a result of changes in student participation, whether in the regular, special or extracurricular programs. The most significant change in revenues was due to the increase in property tax monies. Fluctuations in basic enrollment will significantly impact the state revenues, as well as property tax revenues, keeping in mind that neither source of funding will be ever fully realized with current law and funding structure as set by the legislature, and possible mid-year reduction of funding on the part of the state.

The most significant fluctuation in expenditure levels will be caused by increased salary and benefit obligations, in large part resulting from collective bargaining agreements. With a declining enrollment comes lesser ability to fund various programs required by the state and constant evaluation of staffing needs becomes a priority. Even with certain staff reductions there may still be an increase in expenditures due to the salary and benefit requirements.

The District makes a continual effort to be a good steward of public funds and maintains a philosophy of providing the best education possible, exploring every avenue available to fund the programs, while making certain to keep watch for services that could be merged with other programs. The District saw an overall greater increase in revenues than the increase in expenditures, demonstrating an increase in the financial position for the year.

Governmental Activities

Revenues for governmental activities were \$4,775,384 and expenses were \$4,611,475. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2008	2007	Change 2007-08	2008	2007	Change 2007-08
Instruction	\$ 3,251,753	2,957,905	9.93%	1,684,497	1,463,929	15.07%
Support services	1,113,693	1,014,631	9.76%	1,109,622	1,009,784	9.89%
Non-instructional	1,903	2,029	-6.21%	1,903	2,029	-6.21%
Other expenses	244,126	325,624	-25.03%	121,831	206,185	-40.91%
Totals	<u>\$ 4,611,475</u>	<u>4,300,189</u>	<u>7.24%</u>	<u>2,917,853</u>	<u>2,681,927</u>	<u>8.80%</u>

- The cost financed by users of the District's programs was \$1,284,489.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$409,133.
- The net cost of governmental activities was financed with \$1,952,086 in property tax, \$215,647 in local option sales and services tax, \$767,962 in unrestricted state grants, \$93,312 in unrestricted interest revenue, and \$63,380 in other general revenue.

Business-Type Activities

Revenues of the District's business-type activities were \$253,215 and expenses were \$238,441. The District's business-type activities include the School Nutrition Fund, the School Resale, and the Daycare Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and interest income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the United Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$3,037,117, above last year's ending fund balances of \$2,850,847. However, the primary reason for the increase in combined fund balances in fiscal 2008 is due to the increase in the fund balances in the Management Levy, Physical Plant and Equipment Levy, and Capital Projects funds.

Governmental Fund Highlights

- The District's stable General Fund financial position is the product of many factors:
 - Increase in state sources during the year resulted in an increase in revenues.
 - The financial position of the General Fund decreased due to the increase in instruction expenditures.
- The Management Fund balance increased from \$426,072 in fiscal 2007 to \$436,310 in fiscal 2008.
- The Capital Projects Fund balance increased from \$330,101 in fiscal 2007 to \$556,052 in fiscal 2008. This was due to the increase in revenues from fiscal year 2007 to fiscal year 2008.
- The Physical Plant and Equipment Levy Fund balance increased from \$626,155 in fiscal 2007 to \$671,946 in fiscal 2008. This increase was partially due to the decrease in expenditures from fiscal 2007 to fiscal 2008.
- The Student Activity Fund balance decreased from \$11,462 to a zero fund balance.

Proprietary Fund Highlights

The Proprietary Fund net assets increased from \$142,179 at June 30, 2007 to \$156,953 at June 30, 2008, representing an increase of 10.39%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$244,957 less than budgeted revenues, a variance of 5.13 % The most significant variance resulted from the District receiving less in state sources than originally anticipated.

Total expenditures were less than budgeted, primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the District had invested \$1,710,974 net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 5.82% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$212,924.

The original cost of the District's capital assets was \$4,335,394. Governmental funds account for \$4,234,114 with the remainder of \$101,280 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the building improvements category. The District's building improvements was \$805,234 at June 30, 2008, compared to \$715,969 reported at June 30, 2007. This increase resulted from the current year purchases.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Land	\$ 30,821	30,821	0	0	30,821	30,821	0.00%
Buildings	272,239	295,340	0	0	272,239	295,340	-7.82%
Land improvements	248,686	256,669	0	0	248,686	256,669	-3.11%
Building improvements	805,234	715,969	0	0	805,234	715,969	12.47%
Machinery and equipment	304,377	268,650	49,617	49,432	353,994	318,082	11.29%
Total	\$ 1,661,357	1,567,449	49,617	49,432	1,710,974	1,616,881	5.82%

Long-Term Debt

At June 30, 2008, the District had \$158,045 in long-term debt outstanding. This represents a increase of 370.48% over last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had outstanding early retirement payable of \$139,278 at June 30, 2008.

The District also, had outstanding compensated absences at June 30, 2008 of \$18,766.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2008	2007	2007-08
Early retirement	\$ 18,766	13,472	39.30%
Compensated absences	139,279	20,120	592.24%
Totals	\$ 158,045	33,592	370.48%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District is nearing the end of a whole grade sharing agreement with Boone Community School District in June 2009.
- The continuing phase out of the budget guarantee is also an issue the District is dealing with.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Kent Bultman, Business Manager/Board Secretary, United Community School District, 1284 U Avenue, Boone, Iowa, 50036.

BASIC FINANCIAL STATEMENTS

UNITED COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 2,783,592	103,595	2,887,187
Receivables:			
Property tax:			
Delinquent	9,803	0	9,803
Succeeding year	1,906,035	0	1,906,035
Income surtax	99,549	0	99,549
Accounts	0	2,226	2,226
Due from other governments	244,473	0	244,473
Inventories	0	2,539	2,539
Capital assets, net of accumulated depreciation (Note 4)	1,661,357	49,617	1,710,974
Total Assets	6,704,809	157,977	6,862,786
Liabilities			
Deferred revenue:			
Succeeding year property tax	1,906,035	0	1,906,035
Other	751	0	751
Unearned revenue	0	1,024	1,024
Long-term liabilities (Note 5):			
Portion due within one year:			
Compensated absences	18,766	0	18,766
Early retirement payable	44,046	0	44,046
Portion due after one year:			
Early retirement payable	95,232	0	95,232
Total Liabilities	2,064,830	1,024	2,065,854
Net Assets			
Invested in capital assets	1,661,357	49,617	1,710,974
Restricted for:			
Professional development	1,797	0	1,797
Salary improvement program	80	0	80
Market factor	597	0	597
Market factor incentives	1,948	0	1,948
Capital projects	556,052	0	556,052
Management levy	297,032	0	297,032
Physical plant and equipment levy	671,946	0	671,946
Unrestricted	1,449,170	107,336	1,556,506
Total Net Assets	\$ 4,639,979	156,953	4,796,932

SEE NOTES TO FINANCIAL STATEMENTS

UNITED COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	
Functions/Programs						
Governmental activities:						
Instruction:						
Regular instruction	\$ 2,527,200	991,902	262,042	(1,273,256)	0	(1,273,256)
Special instruction	508,168	290,775	20,725	(196,668)	0	(196,668)
Other instruction	216,385	1,812	0	(214,573)	0	(214,573)
	<u>3,251,753</u>	<u>1,284,489</u>	<u>282,767</u>	<u>(1,684,497)</u>	<u>0</u>	<u>(1,684,497)</u>
Support services:						
Student services	89,864	0	0	(89,864)	0	(89,864)
Instructional staff services	63,664	0	0	(63,664)	0	(63,664)
Administration services	486,076	0	0	(486,076)	0	(486,076)
Operation and maintenance of plant services	213,822	0	0	(213,822)	0	(213,822)
Transportation services	260,267	0	4,071	(256,196)	0	(256,196)
	<u>1,113,693</u>	<u>0</u>	<u>4,071</u>	<u>(1,109,622)</u>	<u>0</u>	<u>(1,109,622)</u>
Non-instructional programs:						
Food service operations	1,903	0	0	(1,903)	0	(1,903)
Community service operations	0	0	0	0	0	0
	<u>1,903</u>	<u>0</u>	<u>0</u>	<u>(1,903)</u>	<u>0</u>	<u>(1,903)</u>
Other expenditures:						
Facilities and acquisitions	19,813	0	0	(19,813)	0	(19,813)
AEA flowthrough	122,295	0	122,295	0	0	0
Depreciation(unallocated)*	102,018	0	0	(102,018)	0	(102,018)
	<u>244,126</u>	<u>0</u>	<u>122,295</u>	<u>(121,831)</u>	<u>0</u>	<u>(121,831)</u>
Total governmental activities	<u>4,611,475</u>	<u>1,284,489</u>	<u>409,133</u>	<u>(2,917,853)</u>	<u>0</u>	<u>(2,917,853)</u>
Business-Type activities:						
Instructional:						
Daycare activities	70,902	66,293	4,609	0	0	0
Non-instructional programs:						
Nutrition services	143,025	71,447	71,949	0	371	371
Resale activities	3,704	12,150	0	0	8,446	8,446
Daycare activities	20,810	15,517	0	0	(5,293)	(5,293)
Total noninstructional programs	<u>167,539</u>	<u>99,114</u>	<u>71,949</u>	<u>0</u>	<u>3,524</u>	<u>3,524</u>
Total business-type activities	<u>238,441</u>	<u>165,407</u>	<u>76,558</u>	<u>0</u>	<u>3,524</u>	<u>3,524</u>
Total	<u>\$ 4,849,916</u>	<u>1,449,896</u>	<u>485,691</u>	<u>(2,917,853)</u>	<u>3,524</u>	<u>(2,914,329)</u>
General Revenues and Transfers:						
Local tax for:						
General purposes				\$ 1,659,323	0	1,659,323
Capital outlay				292,763	0	292,763
Local option sales and services tax				215,647	0	215,647
Unrestricted state grants				767,962	0	767,962
Unrestricted investment earnings				91,312	2,625	93,937
Other				63,380	0	63,380
Transfers				(8,625)	8,625	0
Total general revenues and transfers				<u>3,081,762</u>	<u>11,250</u>	<u>3,093,012</u>
Changes in net assets				163,909	14,774	178,683
Net assets beginning of year				4,476,070	142,179	4,618,249
Net assets end of year				<u>\$ 4,639,979</u>	<u>156,953</u>	<u>4,796,932</u>

* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO FINANCIAL STATEMENTS

UNITED COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	Major Special Revenue				
	General	Levy	Physical Manage- ment Equipment Levy	Plant and Capital Projects	Total
Assets					
Cash and pooled investments	\$ 1,217,307	436,042	631,575	498,668	2,783,592
Receivables:					
Property tax:					
Delinquent	7,979	268	1,556	0	9,803
Succeeding year	1,525,740	55,000	325,295	0	1,906,035
Income surtax	99,549	0	0	0	99,549
Interfund	0	0	38,815	565	39,380
Due from other governments	187,654	0	0	56,819	244,473
Total Assets	\$ 3,038,229	491,310	997,241	556,052	5,082,832
Liabilities and Fund Balances					
Liabilities:					
Interfund payable	\$ 39,380	0	0	0	39,380
Deferred revenue:					
Succeeding year property tax	1,525,740	55,000	325,295	0	1,906,035
Income surtax	99,549	0	0	0	99,549
Other	751	0	0	0	751
Total liabilities	1,665,420	55,000	325,295	0	2,045,715
Fund balances:					
Reserved for:					
Professional Development	1,797	0	0	0	1,797
Salary improvement program	80	0	0	0	80
Market factor	597	0	0	0	597
Market factor incentives	1,948	0	0	0	1,948
Unreserved	1,368,387	436,310	671,946	556,052	3,032,695
Total fund balances	1,372,809	436,310	671,946	556,052	3,037,117
Total Liabilities and Fund Balances	\$ 3,038,229	491,310	997,241	556,052	5,082,832

SEE NOTES TO FINANCIAL STATEMENTS

UNITED COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008

Total fund balances of governmental funds (page 16)	\$ 3,037,117
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	1,661,357
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.	99,549
Long-term liabilities, including early retirement and compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(158,044)</u>
Net assets of governmental activites (page 14)	<u><u>\$ 4,639,979</u></u>

SEE NOTES TO FINANCIAL STATEMENTS

UNITED COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008

	Major Special Revenue			Nonmajor		
		Physical		Special		
	Manage-	Plant and		Revenue		
	ment	Equipment	Capital	Student		
	General	Levy	Levy	Projects	Activity	Total
REVENUES:						
Local sources:						
Local tax	\$ 1,601,034	50,106	292,763	215,647	0	2,159,550
Tuition	1,274,648	0	0	0	0	1,274,648
Other	108,780	11,416	29,425	12,347	2,565	164,533
State sources	1,090,574	22	126	0	0	1,090,722
Federal sources	86,373	0	0	0	0	86,373
Total revenues	4,161,409	61,544	322,314	227,994	2,565	4,775,826
EXPENDITURES:						
Current:						
Instruction:						
Regular instruction	2,381,407	15,857	0	0	14,027	2,411,291
Special instruction	503,640	0	0	0	0	503,640
Other instruction	215,471	0	0	0	0	215,471
	3,100,518	15,857	0	0	14,027	3,130,402
Support services:						
Student services	89,024	0	0	0	0	89,024
Instructional staff services	29,323	0	34,341	0	0	63,664
Administration services	463,534	9,208	1,800	0	0	474,542
Operation and maintenance of plant services	243,297	12,133	0	183	0	255,613
Transportation services	197,666	12,205	62,230	0	0	272,101
	1,022,844	33,546	98,371	183	0	1,154,944
Non-instructional programs:						
Food service operations	0	1,903	0	0	0	1,903
Other expenditures:						
Facilities acquisitions	0	0	178,152	1,860	0	180,012
AEA flowthrough	122,295	0	0	0	0	122,295
	122,295	0	178,152	1,860	0	302,307
Total expenditures	4,245,657	51,306	276,523	2,043	14,027	4,589,556
Net change in fund balances	(84,248)	10,238	45,791	225,951	(11,462)	186,270
Fund balance beginning of year	1,457,057	426,072	626,155	330,101	11,462	2,850,847
Fund balance end of year	\$ 1,372,809	436,310	671,946	556,052	0	3,037,117

SEE NOTES TO FINANCIAL STATEMENTS

UNITED COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2008

Net change in fund balances - total governmental funds (page 18) \$ 186,270

*Amounts reported for governmental activities in the
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 298,390	
Depreciation expense	<u>(204,482)</u>	93,908

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 8,183

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early retirement	\$ (5,294)	
Compensated absences	<u>(119,158)</u>	<u>(124,452)</u>

Changes in net assets of governmental activities (page 15) \$ 163,909

UNITED COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2008

	School Nutrition	School Resale	Daycare	Total
Assets				
Cash and pooled investments	\$ 6,536	19,651	77,408	103,595
Receivables:				
Accounts	198	0	2,028	2,226
Inventories	2,539	0	0	2,539
Capital assets, net of accumulated depreciation(Note 4)	49,617	0	0	49,617
Total Assets	58,890	19,651	79,436	157,977
Liabilities				
Unearned revenues	1,024	0	0	1,024
Total Liabilities	1,024	0	0	1,024
Net Assets				
Invested in capital assets	49,617	0	0	49,617
Unrestricted	8,249	19,651	79,436	107,336
Total Net Assets	\$ 57,866	19,651	79,436	156,953

SEE NOTES TO FINANCIAL STATEMENTS

UNITED COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2008

	School Nutrition	School Resale	Daycare	Total
OPERATING REVENUE:				
Local sources:				
Charges for services	\$ 70,957	12,150	81,810	164,917
Other local revenue	490	0	4,609	5,099
TOTAL OPERATING REVENUES	71,447	12,150	86,419	170,016
OPERATING EXPENSES:				
Instructional programs:				
Other:				
Salaries	0	0	39,914	39,914
Benefits	0	0	21,758	21,758
Supplies	0	0	9,062	9,062
Other	0	0	168	168
	0	0	70,902	70,902
Non-instructional programs:				
Salaries	48,860	0	16,658	65,518
Benefits	6,874	0	2,320	9,194
Services	1,211	0	0	1,211
Supplies	76,542	3,241	1,832	81,615
Other	1,098	463	0	1,561
Depreciation	8,440	0	0	8,440
	143,025	3,704	20,810	167,539
TOTAL OPERATING EXPENSES	143,025	3,704	91,712	238,441
OPERATING INCOME (LOSS)	(71,578)	8,446	(5,293)	(68,425)
NON-OPERATING REVENUES:				
State sources	1,957	0	0	1,957
Federal sources	69,992	0	0	69,992
Interest income	379	218	2,028	2,625
TOTAL NON-OPERATING REVENUES	72,328	218	2,028	74,574
Change in net assets before capital contributions	750	8,664	(3,265)	6,149
Capital contributions	8,625	0	0	8,625
Change in net assets	9,375	8,664	(3,265)	14,774
Net assets beginning of year	48,491	10,987	82,701	142,179
Net assets end of year	\$ 57,866	19,651	79,436	156,953

SEE NOTES TO FINANCIAL STATEMENTS

UNITED COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2008

	School Nutrition	School Resale	Daycare	Total
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 71,034	12,150	0	83,184
Cash received from miscellaneous	490	0	90,391	90,881
Cash payments to employees for services	(64,595)	0	(88,798)	(153,393)
Cash payments to suppliers for goods or services	(68,389)	(3,704)	(11,697)	(83,790)
Net cash provided by (used in) operating activities	(61,460)	8,446	(10,104)	(63,118)
Cash flows from non-capital financing activities:				
State grants received	1,957	0	0	1,957
Federal grants received	58,959	0	0	58,959
Transfer from(to) the General Fund	(6,000)	0	13,298	7,298
Net cash provided by(used in) non-capital financing activities	54,916	0	13,298	68,214
Cash flows from investing activities:				
Interest on investments	379	218	2,028	2,625
Net increase(decrease) in cash and cash equivalents	(6,165)	8,664	5,222	7,721
Cash and cash equivalents at beginning of year	12,701	10,987	72,186	95,874
Cash and cash equivalents at end of year	\$ 6,536	19,651	77,408	103,595
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:				
Operating income(loss)	\$ (71,578)	8,446	(5,293)	(68,425)
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:				
Commodities consumed	11,033	0	0	11,033
Depreciation	8,440	0	0	8,440
Increase in inventories	(571)	0	0	(571)
Increase in accounts receivable	(198)	0	3,972	3,774
Decrease in accounts payable	0	0	(635)	(635)
Decrease in salaries and benefits payable	(8,861)	0	(8,148)	(17,009)
Increase in unearned revenue	275	0	0	275
Net cash provided by(used in) operating activities	\$ (61,460)	8,446	(10,104)	(63,118)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:				
Current assets:				
Cash and pooled investments	\$ 6,536	19,651	77,408	103,595

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2008, the District received Federal commodities valued at \$11,033.

During the year ended June 30, 2008, the Nutrition Fund received contributed capital of \$8,625 from the Capital Projects.

SEE NOTES TO FINANCIAL STATEMENTS

UNITED COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

(1) Summary of Significant Accounting Policies

The United Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Boone, Iowa, and the predominate agricultural territory in Story and Boone Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, United Community School District has included all funds, organizations agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The United Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Story and Boone Counties Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's Non-fiduciary assets and liabilities, with the difference

reported as net assets. Net assets are reported in three categories:

Invested in capital assets, consists of capital assets, net of accumulated depreciation..

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other non-major governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Special Revenue Management Levy Fund is utilized to account for the payment of property insurance, early retirement benefits and unemployment benefits.

The Special Revenue Physical Plant & Equipment Levy (PPEL) Fund is used to account for machinery and equipment expenditures as well as the improvements to capital facilities.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The Nonmajor Special Revenue Student Activity Fund is used to account for all the co- curricular and extra-curricular activities of student-run organizations or sponsored clubs.

The District's proprietary funds are the School Nutrition Fund, School Resale Fund, and the Daycare Fund. The Nutrition fund is used to account for the food service

to account for the resale operations of the District. The Daycare fund is used to account for the daycare operations of the District.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's

principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2007.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1,000
Buildings	1,000
Land improvements	1,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

Capital Assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-12 years

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenues - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account

balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition Fund.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2008. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2008 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2008, the District had investments in the Iowa Schools as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 7,697</u>

Diversified Portfolio

Amortized
Cost

\$ 7,697

(3) Due From and Due to Other Funds

The detail of interfund receivable and payables at June 30, 2008 is as follows:

Receivable Fund	Payable Fund	Amount
Special Revenue		
Physical Plant and		
Equipment Levy	General Fund	\$ 38,815
Capital Projects		
Fund	General Fund	565
Total		\$ 39,380

(4) Capital Assets

Capital assets activity for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 30,821	0	0	30,821
Total capital assets not being depreciated	30,821	0	0	30,821
Capital assets being depreciated:				
Buildings	1,155,050	0	0	1,155,050
Land improvements	527,284	18,599	0	545,883
Building improvements	905,099	141,600	0	1,046,699
Machinery and equipment	1,317,470	138,191	0	1,455,661
Total capital assets being depreciated	3,904,903	298,390	0	4,203,293
Less accumulated depreciation for:				
Buildings	859,710	23,101	0	882,811
Land improvements	270,615	26,582	0	297,197
Building improvements	189,130	52,335	0	241,465
Machinery and equipment	1,048,820	102,464	0	1,151,284
Total accumulated depreciation	2,368,275	204,482	0	2,572,757
Total capital assets being depreciated, net	1,536,628	93,908	0	1,630,536
Governmental activities capital assets, net	\$ 1,567,449	93,908	0	1,661,357

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 92,655	8,625	0	101,280
Less accumulated depreciation	43,223	8,440	0	51,663
Business-type activities capital assets, net	<u>\$ 49,432</u>	<u>185</u>	<u>0</u>	<u>49,617</u>

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular	\$ 33,239
Special	4,528
Other	914

Support services:

Instructional staff	840
Administration	6,240
Operation and maintenance of plant	6,309
Transportation	50,396
Unallocated depreciation	<u>102,018</u>

Total governmental activities depreciation expense \$ 204,484

Business-type activities:

Food services	<u>\$ 8,440</u>
---------------	-----------------

(5) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Compensated absences	\$ 13,472	18,766	13,472	18,766	18,766
Early Retirement	20,120	124,971	5,812	139,279	44,046
Total	<u>\$ 33,592</u>	<u>143,737</u>	<u>19,284</u>	<u>158,045</u>	<u>62,812</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and must have completed fifteen years of service as a full-time employee. Employees must complete an application, which is subject to approval by the Board of Education. Early retirement incentives for each eligible employee will be based on the employee salary schedule in effect the last year of the employee's employment with the District. The employee will receive 30 percent of the current year's salary less phase money,

supplemental pay or extended contract pay. Early retirement expenditures for the year ended June 30, 2008 totaled \$5,812.

(6) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual covered salary and the District is required to contribute 6.05% of annual covered payroll for the years ended June 30, 2008, 2007 and 2006. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$99,814, \$77,243, and \$77,273, respectively, equal to the required contributions for each year.

(7) Risk Management

The District is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed in July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, dental, vision and prescription drugs.

The District's contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2008 were \$249,568.

Members agree to continue membership in the pool for a period of not less than one full year. After such a period, a member who has given 30 days prior written notice may withdraw.

United Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(8) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$122,295 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

UNITED COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2008

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 3,598,731	172,641	3,771,372	3,528,220	3,528,220	243,152
State sources	1,090,722	1,957	1,092,679	1,107,239	1,107,239	(14,560)
Federal sources	86,373	69,992	156,365	140,000	140,000	16,365
Total revenues	4,775,826	244,590	5,020,416	4,775,459	4,775,459	244,957
Expenditures:						
Instruction	3,130,402	70,902	3,201,304	3,486,116	3,486,116	284,812
Support services	1,154,944	0	1,154,944	1,981,851	1,981,851	826,907
Non-instructional programs	1,903	167,539	169,442	200,000	200,000	30,558
Other expenditures	302,307	0	302,307	826,843	826,843	524,536
Total expenditures	4,589,556	238,441	4,827,997	6,494,810	6,494,810	1,666,813
Excess(deficiency) of revenues over(under) expenditures	186,270	6,149	192,419	(1,719,351)	(1,719,351)	1,911,770
Other financing sources, net	0	8,625	8,625	16,000	16,000	(7,375)
Excess(deficiency) of revenues over(under) expenditures	186,270	14,774	201,044	(1,703,351)	(1,703,351)	1,904,395
Balance beginning of year	2,850,847	142,179	2,993,026	2,777,280	2,777,280	215,746
Balance end of year	\$ 3,037,117	156,953	3,194,070	1,073,929	1,073,929	2,120,141

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

UNITED COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

OTHER SUPPLEMENTARY INFORMATION

UNITED COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2008

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Instrumental Music	\$ 2,473	541	3,014	0
Interest	452	754	1,206	0
Pop	8,537	1,270	9,807	0
Total	\$ 11,462	2,565	14,027	0

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

UNITED COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FIVE YEARS

	Modified Accrual Basis				
	Years Ended June 30,				
	2008	2007	2006	2005	2004
Revenues:					
Local sources:					
Local tax	\$ 2,159,550	2,223,123	2,188,783	2,113,951	2,161,356
Tuition	1,274,648	1,219,202	1,035,103	1,045,940	1,006,027
Other	164,533	167,903	145,050	75,636	48,305
State sources	1,090,722	1,071,872	1,253,714	1,115,796	990,837
Federal sources	86,373	92,371	90,716	86,328	94,537
Total	<u>\$ 4,775,826</u>	<u>4,774,471</u>	<u>4,713,366</u>	<u>4,437,651</u>	<u>4,301,062</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	\$ 2,411,291	2,452,806	2,233,046	2,449,747	2,377,029
Special instruction	503,640	392,082	467,737	430,068	543,172
Other instruction	215,471	86,972	108,152	1,960	22,003
Support services:					
Student services	89,024	137,981	126,054	49,587	48,855
Instructional staff services	63,664	18,336	50,248	43,795	72,729
Administration services	474,542	397,150	351,022	347,571	350,298
Operation and maintenance of plant services	255,613	254,876	235,374	215,282	226,266
Transportation services	272,101	166,663	229,511	178,676	224,964
Non-instructional programs					
Food service operations	1,903	1,570	1,158	31,503	23,617
Community service operations	0	459	1,452	1,032	4,116
Other expenditures:					
Facilities acquisitions	180,012	240,894	178,190	333,960	163,091
AEA flow-through	122,295	119,439	117,851	115,415	118,556
Total	<u>\$ 4,589,556</u>	<u>4,269,228</u>	<u>4,099,795</u>	<u>4,198,596</u>	<u>4,174,696</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and
on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Education of the
United Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of United Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 28, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered United Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of United Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of United Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects United Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of United Community School District's financial statements that is more than inconsequential will not be prevented or detected by United Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by United Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-08 is a material weakness.

Compliance and Other Matters

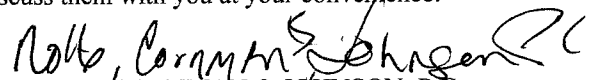
As part of obtaining reasonable assurance about whether United Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

United Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit United Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of United Community School District and other parties to whom United Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of United Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

January 28, 2009

UNITED COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2008

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

I-A-08 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will investigate available alternatives and implement controls where appropriate and possible.

Conclusion - Response accepted.

I-B-08 Revenue/Expenditure Recognition - We noted during our audit that in the General Fund, the District's current practice is to record expenditures against the miscellaneous revenue account. This practice is understating both the revenues and expenditures in the General Fund.

Recommendation - To better reflect the revenues and expenditures in the General Fund, the District should record expenditures to an appropriate expenditure account, instead of the miscellaneous revenue account.

Response - The District will record revenue/expenditures to an appropriate account, instead of using the miscellaneous revenue account.

Conclusion - Response accepted.

UNITED COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2008

Part II: Other Findings Related to Required Statutory Reporting

- II-A-08 Certified Budget - District expenditures for the year ended June 30, 2008 did not exceed the certified amounts in the functional areas.
- II-B-08 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-08 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-08 Business Transactions - During our audit the following business transactions between the District and District officials or employees were noted.

Name, Title and Business Connection	Transaction Description	Amount
Darrel Buzzell, Bus Driver Spouse makes cakes	Cakes for school function	\$43

In accordance with the Attorney General's opinion, dated November 9, 1976, the above transactions do not appear to represent a conflict of interest.

- II-E-08 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-08 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner.

Recommendation - The District should publish the minutes within two weeks of the Board meeting, as required by 279.35 of the Code of Iowa.

Response - The District will see that the minutes get published in a timely manner as required.

Conclusion - Response accepted.

- II-G-08 Certified Enrollment - We noted no variance in the basic enrollment data certified to the Department of Education.
- II-H-08 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-I-08 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.

II-J-08 PPEL Expenditures - We noted during our audit that, the District is currently making purchases from the Special Revenue , Physical Plant and Equipment Levy (PPEL) Fund which do not appear to be in compliance with Chapter 298 and 423, of the Code of Iowa. The District paid for preventative and routine maintenance and equipment less than \$500 per single unit, which would be more appropriate from the General Fund.

Recommendation - The District agreed to an audit adjustment to correct this on the financial statements. The District should review their procedures to ensure that future purchases made from these funds are in compliance with Chapters 298 and 423 of the Code of Iowa.

Response - We have completed the corrective transfer.

Conclusion - Response accepted.